

Integrated Water Management Strategy

Overview and Scope

The World Economic Forum's Global Risks Report identified the water supply crisis as one of the main risks for the coming decade (WEF, 2024). While our operations have a relatively low water demand, and therefore generate limited impacts on its availability, efficient use and conservation of water resources are essential for the sustainable development of our projects and the communities within our areas of influence.

In line with the Sustainable Development Goals, particularly SDG 6—which seeks to ensure the availability and sustainable management of water and sanitation for all by 2030—Canacol implements an integrated approach to water management aimed at contributing to equitable and sustainable access to water, especially in the regions where we operate.

To ensure that our operations do not compromise water availability or negatively impact local water sources, we conduct detailed assessments of water resources before initiating any project. This includes establishing a hydro-environmental baseline and continuous monitoring throughout project execution. In compliance with national regulations, our Environmental Impact Assessments (EIAs) incorporate rigorous hydrological and hydrogeological analyses, which allow us to determine both the potential and quality of water resources needed for our operations without affecting community supply. These studies are reviewed by the National Environmental Licensing Authority (ANLA) as part of the environmental licensing process.

Our water management strategy encompasses the following dimensions:

- **Direct operations:** exploration, drilling, production, and other associated processes.
- **Supply chain:** ensuring that suppliers, contractors, and business partners adopt practices aligned with our environmental standards.
- **Future projects:** designing and implementing new projects under sustainability criteria and in alignment with this policy.

Additionally, throughout the execution of our works, projects, and activities, we implement environmental management measures aimed at preventing, mitigating, correcting, and, when necessary, compensating for impacts on water resources, always prioritizing efficiency in water use and management.

Materiality and Risk Assessment

As part of its strategic planning, Canacol identifies its material topics in order to prioritize the lines of action on which to focus. In the latest update carried out in 2024, one of the material topics assessed was Integrated Water Resource Management, recognizing both the global importance of this resource and, more specifically, its relevance within Canacol's operations.

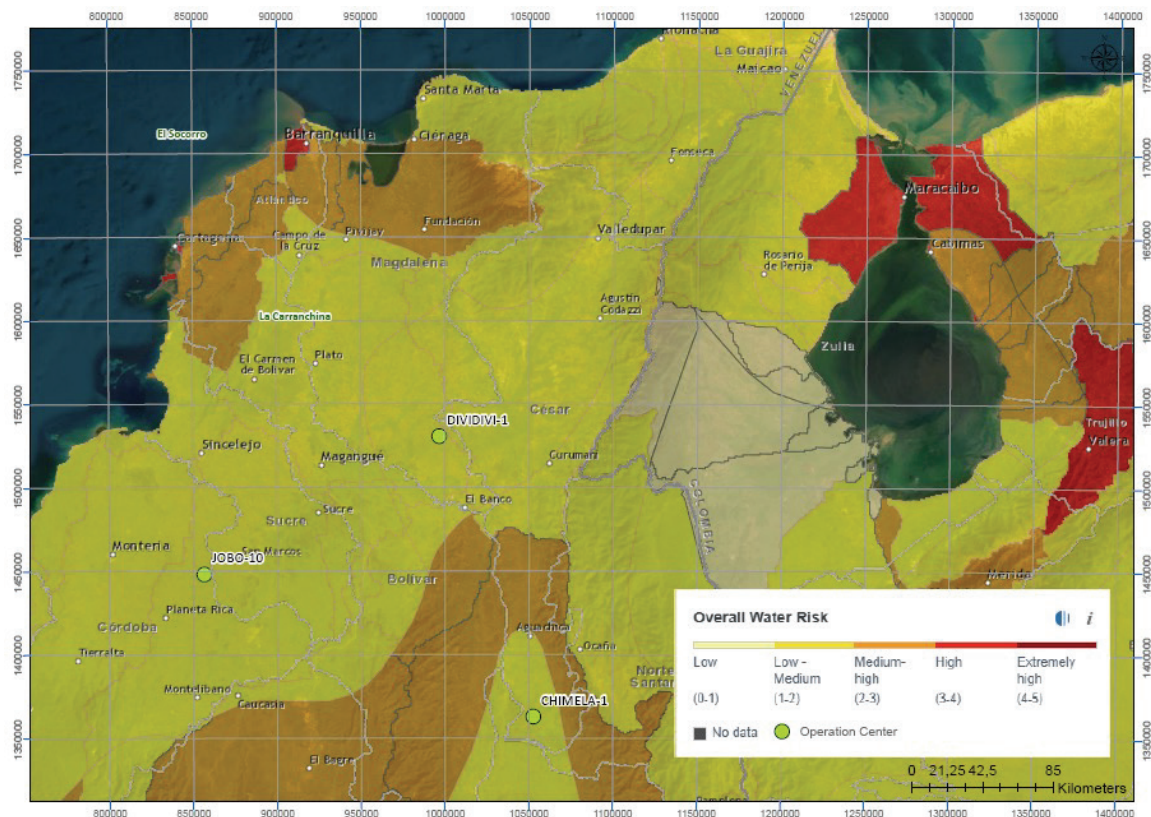
Sustainability Issue
Governance
Circular Economy and Waste Management
Risk and Opportunity Management
Health and Safety at Work
Sustainable Value Chain Management
Ethics, Integrity, and Transparency
Information Security and Cybersecurity
Employee Well-Being, Attraction, and Retention
Climate Change Mitigation and Adaptation
Comprehensive Water Resource Management
Ecosystems and Biodiversity
Community Relations
Health and Safety at Work
Air Quality

Our strategic framework defines the process we use to identify, assess, prioritize, and monitor risks, opportunities, dependencies, and impacts related to integrated water management. In line with this, as part of Canacol's integrated risk management, an assessment of nature-related risks was conducted under the Taskforce on Nature-related Financial Disclosures (TNFD) framework. Through this exercise, the potential impact of water source contamination was identified. This potential impact is prevented through the implementation of the present strategy. Furthermore, we also seek to mitigate risks associated with potential future regulatory changes at the local level.

To manage and prevent the identified risks, Canacol systematically tracks and maps water use in its operating regions using the World Resources Institute's Water Risk Atlas, a comprehensive water management tool that considers local water stress. Based on this information, together with publicly available data from IDEAM, we have assessed the levels of water stress at our operational sites, ensuring that we do not operate in areas of water stress.

- **Water stress analysis:** Our operational sites in the departments of Sucre and Córdoba (marked with green points on the map) show no decline in groundwater levels, and in the VIM-33 Block in particular, only a low level of decline is observed.
- **Global water stress/water risk analysis:** The departments of Córdoba and Sucre, where our operations are located (indicated with green points), are classified as low or insignificant risk.

This information is cross-referenced with water use data—including volumes consumed by Canacol and its suppliers—to determine demand and interactions with local water users, allowing us to define, identify, and manage associated risks.



Source: Taken from Aqueduct Water Risk Atlas | World Resources Institute (wri.org)

Governance

Canacol has a sustainability governance model that incorporates water resource management under a double materiality approach. This model defines a structure that includes executive and tactical roles (Figure 1) and, based on this structure, the roles and responsibilities required to design and implement the processes, controls, and procedures that enable effective oversight, management, and monitoring of the impacts, dependencies, risks, and opportunities related to water management. These are overseen by the Sustainability Management Committee.



In line with the above, it is important to highlight that we have a Sustainability Policy that establishes specific guidelines regarding water. Aligned with this policy, we have also developed a Water Management Commitment that outlines our framework for action in relation to water.

Metrics and Strategic Lines

Considering our management framework and the material topics identified, we monitor water management through metrics that include both tactical and strategic indicators. These allow us to measure our performance and progress annually and cumulatively in the short, medium, and long term, in line with sustainability indicators.

Water and Effluents	Unit of measure	2021	2022	2023	2024
Supply: total water withdrawal from municipal (or other public water services)	ML	43.4	51.9	51.6	25.4
Water withdrawal: surface water (lakes, rivers, etc.)	ML	0.0	0.0	0.0	0.0
Withdrawal: groundwater	ML	3.4	10.3	26.1	27.8
Rainwater	ML	0.8	0.9	0.0	0.0
Total net freshwater withdrawal	ML	46.9	62.2	77.7	53.2
Wastewater	ML	14.0	18.1	27.3	30.4
Recycled water*	ML	6.2	9.5	7.5	6.9
Total water consumption	ML		53.7	58.9	27.9
Data coverage (as % of denominator)	%	100	100	100	100
Total percentage of water recycled and reused	%	13.2	15.3	9.7	13

* The decrease in water recycling corresponds to a reduction in the company's operations.

In order to establish a framework for action to address water-related aspects, the following strategic lines are defined:

Operational Efficiency

This strategy seeks to balance water use in our operations with the strengthening of supply mechanisms, contributing to the preservation of ecosystems. Integrated water resource management in our activities not only creates value by optimizing processes and ensuring operational availability, but also guarantees the sustainability of water supply in the short, medium, and long term for the development of projects and activities.

With this approach, we promote water conservation as a vital resource through actions structured around the following components:

- Monitoring and tracking of water consumption: expansion of the measurement network, consumption control, and timely detection of losses and leaks.
- Water saving and efficient use of domestic water: awareness and training campaigns targeting employees, contractors, and communities.

- Optimization of operational processes: identification and implementation of opportunities to reduce water use across different stages of the operation.
- Road wetting: applied exclusively in populated areas during cargo transport activities to control particulate matter emissions.
- Responsible supplier selection: prioritizing water suppliers located outside water-stressed areas, in compliance with Colombian regulations and close to operational sites.
- Water footprint assessment: quantification of the impact of water use throughout the operational cycle.
- Recognition of best practices: identification and visibility of sustainable initiatives led by contractors.
- Risk management and conflict prevention: identification and management of water-related risks, with a particular focus on neighboring communities.

Short-term	Mid-term	Long-term
<ul style="list-style-type: none"> • Maximum water consumption limit by 2026 for production of 9.5 ML. • Maximum annual water consumption for all drilling activities of 4.6 ML per well. • Identify opportunities for water optimization and reuse. 	<ul style="list-style-type: none"> • Define an internal design and construction protocol based on the identification of water-related risks to prevent material losses (infrastructure, equipment, and personnel). 	<ul style="list-style-type: none"> • Establish a target year for reaching water neutrality, in line with the strategy.

Effluent Management

As part of our integrated water resource management, we aim to strengthen the responsible handling of all wastewater generated by our industrial processes, with the objective of minimizing negative impacts and preserving the quality of water sources in the areas where we operate. To this end, we implement structured actions focused on reuse, treatment, and discharge control, under a circular economy approach and in full compliance with environmental regulations. Key actions include:

- Measurement of domestic wastewater (DWW) generated by field administrative activities.
- Reuse of water from hydrostatic tests on flow lines and equipment, subsequently allocated to activities such as drilling or concrete preparation.
- Focus on industrial water reuse: treatment through reverse osmosis for subsequent use in mud preparation and road watering; and recovery of condensate water from air conditioning units for cleaning activities.
- Effluent quality monitoring and early leak detection, ensuring compliance with parameters required by environmental regulations.
- Promotion of responsible consumption practices, including full-load washing in laundries, dry cleaning of food and equipment, rational water use for machinery cooling, and restriction of road watering in unpopulated areas.
- Strict compliance with maximum permissible limits for water reinjection, in line with current regulations.

- Protection of freshwater bodies: zero-discharge policy into natural surface water sources.

These actions are part of our commitment to sustainable water management, integrating operational efficiency, environmental innovation, and responsibility toward the territories where we operate.

Targets:

- Reuse at least 50% of the wastewater generated from well drilling.
- Reuse 100% of the water from hydrostatic tests.
- Eliminate poor cultural practices in water use.

Actions for the Protection of Water Sources

In alignment with our biodiversity program “Amigos del Bosque Seco Tropical”, we work jointly with the communities in our areas of influence on awareness and education initiatives aimed at protecting ecosystems and water sources. This serves as a resource compensation strategy through the following actions:

- Promote actions to restore and conserve the ecological corridors proposed by the Company to protect environmental compensation areas through waste collection campaigns and voluntary conservation agreements.
- Foster a culture of water conservation within the collective awareness of the areas where we operate, through education initiatives and institutional strengthening in schools to reach early childhood as future community members.
- Coordinate and strengthen the interventions of different public and private stakeholders through awareness and training processes that reduce the risk of conflict arising from community knowledge gaps.
- Conduct annual quantification of water captured or retained through mandatory and voluntary environmental compensation projects.

Targets:

Short-term	Mid-term	Long-term
<ul style="list-style-type: none"> • Integration of water and biodiversity programs with a holistic approach and aligned objectives. • Application of methodologies to quantify the volume of water retained in compensation areas. • Reforestation of areas as part of regulatory environmental compensation commitments. • Implementation of educational initiatives highlighting the hydrological importance of ecosystems. 	<ul style="list-style-type: none"> • Annual calculation of water retention in both voluntary and regulatory compensation areas. • Strengthening of community projects aimed at protecting water sources through waste collection, safeguarding riparian zones, promoting food security, and reducing the risk of conflict. 	<ul style="list-style-type: none"> • Based on the analysis of water retention calculations for compensation, establish and implement a reforestation target in hectares.

Monitoring, Evaluation, and Reporting

We communicate our progress, challenges, and achievements in integrated water resource management in a transparent, timely, and regular manner, including both financial and non-financial information, directed to all our stakeholders.

As part of our management and accountability framework, we participate annually in external evaluations and rankings that validate our performance in key areas such as circular economy, water-use efficiency, and waste management. These external evaluations generate valuable technical information that feeds back into our processes, facilitating the continuous improvement of our operations, strategies, and environmental management systems.

We maintain an impeccable record with respect to incidents associated with water resources. Our preventive and continuous improvement approach has enabled us to safeguard this vital resource, avoiding negative impacts on its quality or availability. This commitment is reflected in our solid compliance track record, which we aim to maintain and strengthen, reaffirming our responsibility for the protection and conservation of water in all our activities.

This management approach is disclosed internally through information bulletins directed at our employees, and externally through our corporate website and Integrated ESG Report.